American Tobacco Co. - Advertising - 1985

Top 100 eke out 2.7% ad increase

American Brands — Rank 51
New York

($ in millions)	1985	1984	% change
Worldwide			
Sales	7,388	6,888	+7.3
Net income	488	434	+12.4
U.S.			
Sales	3,166	3,008	+5.3
Operating profit	522	481	+8.5
Advertising	168	161	+4.3
Divisional sales			
Tobacco	4,388	4,288	+2.3
Distilled beverages	1,888	1,888	+2.2
Hardware	1,888	1,888	+2.2
Golf goods	1,888	1,888	+2.2
Life insurance	1,888	1,888	+2.2
Food products	1,888	1,888	+2.2
Other	1,888	1,888	+2.2

American Brands experienced a positive turnaround in sales from its cigarette and cigar divisions in 1985, but despite the improvements, the divisions suffered an across-the-board decline in market share among lead brands—Pall Mall, Tareyton and Carlton.

American Brands' woes tied to the annual performance of its tobacco divisions, which in 1985 grew 3.8% in sales, helping push over-all sales up 4.5%. This compares with a 4.3% drop in cigarette and cigar sales in 1984 and an over-all drop of 1.4% for the parent company.

The divisions had combined sales amounting for 60% of total company sales, and drew 58% of all measured media ad spending at American Brands.

American Tobacco Co., incorporated as a separate operating subsidiary in January, saw its share of the total cigaret market decrease in 1985 from 7.9 to 7.4, with its largest seller, Pall Mall, recording a 3.5 market share, down from 3.8 in 1984.

Pall Mall, the seventh best-selling cigaret in the country, is the industry leader in the nonfilter cigaret market, and American Brands spent less than $100,000 in measured advertising on the brand.

The Pall Mall brand family began receiving more substantial ad support in 1985 with the national rollout of Pall Mall 25s, a full-par-unit-priced convenience packaging.

American Tobacco's Carlton family, which now includes 11 products, was expanded in 1985 with the addition of Carlton Menthol 100's box. All spent $24 million on the Carlton brands in the seven media measured by Leading National Advertisers last year, nearly 41% of all the money it spent in measured media.

American Tobacco spent more than $7 million on its Lucky Strike brand, a brand family that, although steeped in tradition, has presented the best growth opportunity for AT in Lucky low-tar Blues and Lucky Lights, mid and low-tar entries. The Lucky Blues line is headed by the sometimes controversial yet well noted "Light My Lucky" campaign. The two brand styles posted a whopping 41.2% unit sales increase and moved to a 0.4% market share, slightly below the 0.5% considered to be the breaking point for a sustainable cigaret brand, according to John C. Maxwell Jr., tobacco analyst for Furman Selz Dietz Mager & Birney, New York.

The company's Tareyton brand continued its long-term sales decline and ended 1985 with an 8.7% drop in volume. At yearend, the brand held a 1% share of market, according to Mr. Maxwell.

American Brands' other tobacco division, American Cigar Co., rolled out several new products in 1985, including American Sweets, a moderate-priced, full-bodied cigar. American Sweets is American Cigar's first entry into this popular cigar category. The new product has a suggested retail price of 60¢ for a package of five.

The leading national advertisers spent $26.67 billion in total advertising in 1985, up from a restated $25.97 billion in 1984. Spending broke out into $14.57 billion, up about 4%, in 11 measured media, representing about 53% of all national expenditures in those media, and $12.1 billion in unmeasured advertising, up 0.7%.

Cigars in the five-for-60¢ category account for more than 45% of U.S. cigar sales. Trade promotion and consumer sampling for American Sweets is being handled by ESCAB, which handles American Brands' other cigars, as well as Pall Mall and Tareyton cigarettes. American Cigar also introduced Whiffs Tip cigars, an extension of its La Corona Whiffs brand. ESCAB is handling the limited advertising.

However, American Brands in July, 1984, said American Tobacco in Mac Andrews & Forbes, Camden, N.J. That divestiture will affect the third quarter, 1984, results. American Brands will take a one-time $100 million, after-tax writeoff in the quarter to reflect charges in connection with the sale. The writeoff also involves expenses related to the closing of Durham, N.C., and Richmond, Va., plants.

American Brands has closed its 100-year-old cigaret making plant in Durham and moved production to a new high speed facility in Reidsville, N.C., about 45 miles away. Many of the 1,000 employees in the Durham facility were transferred to Reidsville. The company's Stemming facility in Richmond, Va., will be closed during the first quarter of 1987.

American Brands for the first half, 1985, reported net income of $216 million, up 11.3% from the same six-month period in 1985, on record sales of $4 billion, up 17.7%. Operating income for the same period was $477 million in 1984, up 45.2% from 1986. American Brands traditionally generates about half of its operating profit from cigars.

AB's distilled beverage division, James B. Beam Distilling Co., increased its sales over last year by only 1.6%. This compares with a 2.2% increase in sales in 1984. The company's flagship brand, Jim Beam bourbon, remained the best-selling bourbon in the country, despite an industrywide decline in bourbon sales.

Beam must still contend with the media image that many consumers associate with its bourbon and that company executives would like to change. To change its image, Beam spent nearly $3 million in measured media advertising that tries to depict the bourbon as a more youthful brand.

Beam made an unusual move in 1985 when it introduced nationally Jim Beam ZZZlagers, which mix Beam bourbon in a can with cola, ginger ale and lemon-lime soda. Beam spent $250,000 on the new product line, which is being headed by Bozell, Jacobs, Kenyon & Eckhardt, Chicago. Beam also entered the flavored schnapps market in 1985, with the introduction of Baron Von Schroeder line.

Despite a 2.8% increase in sales for American Brands' food products division, the division ended the year with a slight decline in operating profits. Sunshine Biscuits Inc., which accounts for the largest portion of sales in the division, completed the national rollout of its Sunshine Amaretto Heritage line of snack cookies.

In 1985, Sunshine entered the declining pack cookie market, dominated by Nabisco Brands, Keebler and Duncan Hines, with its new Chippy Chews, a soft chocolate chip cookie available in fudge, peanut butter, butterscotch and mint flavors. Despite company boasts of "excellent consumer and trade support," Sunshine picked up less than 1% of the chewy cookie market last year.

Other products made by Sunshine are Fig Cheerios, Krispy Saltine crackers, Hydrox cookies, Vienna Fingers cookies and Clean-it crackers. Sunshine spent slightly more than $2.5 million in measured media, all in spot tv, for its cookie and cracker products.

Andrew Jergens Co., AB's personal care products division, spent $7.8 million in measured advertising in 1985, more than half of that on spot tv. This contributed to the parent company's growth in spot tv spending from only $304,800 in 1984 to $6.9 million in 1985.

Sales of Jergens products rose 10% to $147.1 million pound by Jergens's liquid soap, currently in third place in that growing category, with a 8.8% share, behind market leading Minnetonka and Procter & Gamble's Ivory. Minnetonka created the category in 1980.

In the hand-and-body moisturizer category, Jergens is No. 2 with a market share of 11%, behind Chesebrough-Pond's Vaseline Intensive Care, which commands a 19% share of the market.

American Brands' hardware and security division, which consists of Master Lock Co., Pinkerton's Inc., Prestige Group of Goldston, MCM Products and a portion of Swingline Inc., had increased sales of 5.8% over the previous year. This represents the highest increase among all AB divisions. Master Lock spent $1.3 million in measured advertising, slightly greater than in 1984. Master Lock manufactures 230 padlock products.

ADVERTISING CONTRIBUTORS

($ in thousands)	1985	1984
Magazines	4,888	4,888
Network TV	264	248
Syndicated TV	0	0
Spot TV	6,828	88,888
Local TV	4,962	848
Network radio	388	0
Spot radio	0	0
Outdoor	1,388	11,888
Business publications	188	111
Total measured	88,888	88,888
Unmeasured	14,788	88,888
Total	188,888	84,888

AMERICAN BRANDS
1700 E. Putnam Ave.
Old Greenwich, Conn. 06870-0811
(203) 698-5000
AMERICAN TOBACCO CO.
Greenwich, Conn.
Corporate Personnel
T.C. Hays, exec vp
Marketing Personnel
W.J. Moore, vp-adv
W.C. Stevenson, mktg consultant
M.J. O'Neill, mktg services dir
E.T. Bennett, sr mdse analyst
M.W. Schlichting, prod mgr, Carlton
E.J. Gould, prod mgr, Lucky Strike
J.J. Mellon, media mgr
W. Dymanowski, media mgr
C.M. Mellon, sr vp-sales
T.F. McGuire, exp-sales operations
Advertising Agencies
Lowenstein, Cumins, Penn & Lawson, New York—Carlton, Lucky Strike, Silva Thins; Alfred Magnuson, Malcolm Milner, vp-mgmt supvrs; Thomas Kenny, R. LaPenotiere, asst supvrs.
Sandgrund Associates
Westchester, Md.
Marketing Personnel
Joseph P. Kennedy, vp-adv
Alan R. Miller, dep-gen business & specialty mktg
Harold E. Dunkin, group prod mgr-malt-ola
Robert M. Levy, group prod mgr-cookies
Mary Brown, sr prod mgr-cookies
Richard Cornet, sr prod mgr-cookies
Gerald Assel, sr prod mgr-crackers
William Steinbeck, sr prod mgr-crackers
Alexander Nichols, mgr-adv & mktg services
Carol Goggin, consumer relations representative
Charles Dominik, mktg-consumer mdse coord
Advertising Agency
Sherwood & Schneider, New York—Marvin Schneider, chmn-exec; Lee Sherwood, president; Brendan Nash, exec vp-prod mgr; Jan Williams, asst supvr.
FRANKLIN LIFE
INSURANCE CO.
Springfield, Ill.
Marketing Personnel
Jack Weaver, vp-mktg
T.M. Cross, vp, division mgr
GOVERNMENT LIFE
INSURANCE CO.
Boston
Marketing Personnel
Joe W. Hopkins, exec vp-mktg officer
Virgil L. Hendricks, mktg & public relations mgr
ANHEUSER-BUSCH
INC.
St. Louis
Marketing Personnel
G. Lee Bennett, vp-dir mktg & adv
B.J. Siluszyk, adv mgr
Advertising Agencies
Bozell, Jacobs, Kenyon & Eckhardt, Chicago—Jim Beam, Jim Beam and Color-Name X. O'Meara, supvr; Carol Beam, asst supvr.
D'Arcy-MacManus & Masius, St. Louis—Budweiser, Budweiser Light, Busch, Busch Light, Natural Light, Michelob, Michelob Light, Michelob Dry, Michelob Classic Dark, Michelob Light Dry, Natural Ice, Bud Ice, Bud Dry, Busch Ice, Busch Light Ice, Busch Bavarian, Busch Bavarian Light, Busch Bavarian Dry, Busch Bavarian Light Dry, Busch Bavarian Ice, Busch Bavarian Light Ice, Busch Bavarian Dry Ice, Busch Bavarian Light Dry Ice, Busch Bavarian Light Dry Ice, Busch Bavarian Light

Richard A. Bagg, dir-mktg & sales
Roger M. Hornig, field sales mgr
Ernest P. Amaral, mgr-natl accts
Jack W. Wagner, mgr-natl accts

Advertising Agency

Humphrey Browning MacDougall/Creamer, Boston—John McNamara, acct super-golf div; Marty Curran, acct super-rubber div.

PINKERTON'S
New York
Marketing Personnel

C. Gehrmann Holland, sr vp, sales & mktg

Advertising Agency

Douglas J. Turner, Newark, N.J.—Douglas J. Turner, acct super.

ANDREW JERGENS CO.
Cincinnati
Marketing Personnel

Robert L. Dorn, exec vp-mktg
Rodger V. Rand, vp-mktg
Linda D. Cornell, vp-new prod devel
D. Tom Zimmerman, dir-prod mgmt
Richard R. Colpin, vp-sales

Advertising Agency

Ally & Gargano, New York—Jergens lotion, Jergens Aloe & Lanolin lotion, Jergens mild soap, Jergens Aloe & Lanolin soap, Jergens lotion-enriched liquid soap, Gentle Touch soap, plus a general line of toiletries & cosmetics—Dennis Visich, sr vp-group mgmt super; Charles McMellon, vp-mgmt super; Peter Fedyck, acct super.

SWINGLINE INC.
New York
Marketing Personnel

David B. Miller, vp-sales & mktg
John Sheridan, dir-sales & mktg, business machines div
Fred Weist, vp-mktg devel & admin
Jack Shulman, vp-sales, office prod div
Anne Burris, mktg services mgr, office prod div
John Peters, export mgr
William Gibbons, natl sales mgr, consumer prod & retail stationery div
Anne Beirne, mktg services mgr, consumer prod & retail stationery div

Advertising Agency

Al Paul Lefton Co., New York—G. William Wolfston, president-mgmt super; Robert H.D. Ellis, vp.

MGM PRODUCTS
Old Greenwich, Conn.
Corporate Personnel

R.P. Truitt, president-ceo

Marketing Personnel

Daniel Roberts, natl sales mgr, W.R. Case & Sons Cutlery Co.
Richard B. Turner, vp-sales, professional div, Marson Corp.
Robert M. Hewson, vp-sales, consumer/hardware div, Marson Corp.
Craig M. Meyers, vp-sales, fastener div, Marson Corp.
Paul Greenberg, vp-sales & mktg, Marvel Lighting Corp.

Advertising Agencies

McDougall Associates, Peabody, Mass.—Marson Corp.—Dan McDougall, president.

Paul, Phelps & Perry Ltd.—Marson Canada—K.E. McEnirney, president.

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